

Message Text

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SUBJ: FLESHING OUT AGRICULTURAL POLICY: LI HSIEN-NIEN'S SPEECH TO
THE NATIONAL CONFERENCE ON FARMLAND CAPITAL CONSTRUCTION,
JULY 27 1978

REF: A. PEKING 649, B. PEKING 352, C. 77 PEKING 1739

1. SUMMARY: ON JULY 27 VICE PREMIER LI HSIEN-NIEN
DELIVERED TO A NATIONAL FARMLAND CAPITAL CONSTRUCTION
CONFERENCE A BROAD RESTATEMENT OF CURRENT PRC AGRICULTURAL
POLICY. LI STRESSED THAT FOR A LONG TIME CHINA'S AGRICULTURAL
DEVELOPMENT HAS FALLEN SHORT OF TARGETS. FASTER DEVELOPMENT,
AND PARTICULARLY RAISING UNIT YIELDS ON EXISTING FIELDS, IS
CRITICAL FOR THE DEVELOPMENT OF THE ECONOMY AS A WHOLE.
LI OUTLINED A SERIES OF GOVERNMENTAL MEASURES, MOST OF THEM
FAMILIAR, THAT WILL BE TAKEN TO AID AGRICULTURE. THESE
INCLUDE: INCREASING CENTRAL INVESTMENT IN AGRICULTURE AND
PROMOTING INCREASES IN LOCAL GOVERNMENTAL INVESTMENT IN
AGRICULTURE; RAISING INTEREST RATES ON SAVINGS PAID BY RURAL
CREDIT COOPERATIVES AND LOWERING INTEREST ON LOANS;
ENFORCING BETTER QUALITY CONTROL IN ENTERPRISES PRODUCING
FOR RURAL MARKETS; ENCOURAGING OPERATION OF COMMUNE
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INDUSTRIES, PARTICULARLY IN RAW MATERIALS PRODUCTION AND
MINING AREAS, THROUGH TAX AND PRICING INCENTIVES; AND
ENCOURAGING MORE SALES OF GRAIN TO THE STATE BY OFFERING
HIGHER PRICES FOR ABOVE-QUOTA SALES. HE SAID THAT CENTRAL HAD
ALREADY DECIDED TO IMPROVE THE TERMS OF TRADE FOR THE
AGRICULTURAL SECTOR AND WAS WAITING FOR CONCRETE PROPOSALS.
CENTRAL IS ALSO "CONSIDERING" REVIVING THE AGRICULTURAL

BANK. LI FURTHER STATED THAT GRAIN OUTPUT IS NOW 2.5 TIMES THAT IN 1949; IRRIGATED LAND AREAS HAVE BEEN INCREASED BY 1.3 MILLION HECTARES ANNUALLY IN RECENT YEARS; IRRIGATED AREAS COULD BE EXPANDED BY 6.6 MILLION HECTARES BY FINISHING CURRENT PROJECTS AND IMPROVING EXISTING FIELDS; ANIMAL HUSBANDRY, WHICH CURRENTLY ACCOUNTS FOR ONLY 13.9 PERCENT OF AGRICULTURAL OUTPUT, CAN AND SHOULD BE INCREASED. HE INDICATED THAT EVERY PROVINCE WILL HAVE A LARGE CHEMICAL FERTILIZER PLANT BY 1985. FINALLY, LI OFFERED SOME SPECIFIC INSTRUCTIONS FOR COMMUNE MANAGERS. COMMUNE CADRE ARE NOW BEING ASKED TO STUDY NOT ONLY TACHAI, BUT ALSO OTHER COUNTIES THAT HAVE ACHIEVED HIGH LEVELS OF MECHANIZATION, SCIENTIFIC FARMING.

2. LI'S SPEECH DREW AND EXTRAPOLATED ON THEMES SEEN IN SEVERAL AGRICULTURAL CONFERENCES HELD SINCE 1976, INCLUDING LAST YEAR'S FARMLAND CAPITAL CONSTRUCTION CONFERENCE (REF C) AND THE THIRD AGRICULTURAL MECHANIZATION CONFERENCE (REF B) AS WELL AS HUA KUO-FENG'S REPORT TO THE FIFTH NPC (REF A). THE SPEECH IS AMPLE TESTIMONY TO THE PREEMINENCE OF AGRICULTURE AS AN ECONOMIC CONCERN FOR THE PRESENT REGIME AND THE REGIME'S WILLINGNESS TO DEVOTE CONSIDERABLE RESOURCES TO ACHIEVING AGRICULTURAL GROWTH. THE SPEECH MAKES IT CLEAR THAT THE MOST PROMISING METHOD OF ACHIEVING OUTPUT GROWTH REMAINS RAISING UNIT LIMITED OFFICIAL USE

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YIELDS ON ALREADY CULTIVATED LAND. END SUMMARY.

3. THE PEOPLE'S DAILY CARRIED ON AUGUST 16 THE COMPLETE TEXT OF A JULY 27 SPEECH TO A NATIONAL FARMLAND CAPITAL CONSTRUCTION CONFERENCE BY VICE PREMIER LI HSIEN-NIEN. THE CONFERENCE WAS ATTENDED BY OVER 1,200 DELEGATES AND CLOSED ON AUGUST 1. ALL IMPORTANT ECONOMIC POLICY MAKERS PLAYED SOME ROLE IN IT.

4. LI REITERATED THE STATEMENT OF HUA KUO-FENG AT THE FIFTH NPC (REF A) THAT IN RECENT YEARS AGRICULTURAL DEVELOPMENT HAS FALLEN SHORT OF TARGETS. HE STATED THAT FASTER DEVELOPMENT -- PARTICULARLY RAISING UNIT YIELDS ON PRESENTLY CULTIVATED LAND -- IS ESSENTIAL IF AGRICULTURE IS TO SUPPORT AND NOT CONSTRAIN GENERAL ECONOMIC DEVELOPMENT. HE RESTATED THAT CHINESE PLANNING TAKES ACCOUNT FIRST OF AGRICULTURE, SECONDLY OF LIGHT INDUSTRY; AND THIRDLY OF HEAVY INDUSTRY. HE SAID THAT GRAIN OUTPUT HAS INCREASED TO 2.5 TIMES THE 1949 FIGURE. (COMMENT: USING A BASE OF 113.2 MILLIONS TONS FOR 1949 - "CHINA RECONSTRUCTS," DECEMBER 1977, - THE 1977 FIGURE WOULD BE 283 MILLION TONS). LI REMINDED LISTENERS THAT THE

MAIN SOURCE OF RESOURCES FOR ACCELERATING AGRICULTURAL DEVELOPMENT WILL BE THE COMMUNES AND THEIR 700 MILLION RESIDENTS THEMSELVES. HAVING SAID THIS, HE OUTLINED SEVERAL MOSTLY FAMILIAR WAYS THE STATE WILL AID AGRICULTURE.

5. ONE WAY WILL BE DIRECT INVESTMENT. AT THE FIFTH NPC, CENTRAL DECIDED TO INCREASE THE PRODUCTION OF STATE AID TO AGRICULTURE (REF A). NOW, IN LIGHT OF THE NEEDS OF AGRICULTURE AND INCREASES IN GOVERNMENT REVENUES, CENTRAL BUDGETARY INVESTMENT WILL BE FURTHER INCREASED. LOCAL INVESTMENT SHOULD ALSO INCREASE. LI PRAISED KIANGSU PROVINCE, WHICH HE SAID, INVESTS 70 PERCENT OF PROVINCIAL REVENUE AND 80 TO 90 PERCENT OF DISTRICT AND COUNTY REVENUES IN AGRICULTURE. AT THE SAME TIME THAT BUDGETARY INVESTMENT LIMITED OFFICIAL USE

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IN INCREASED, CREDIT TERMS SHOULD BE MADE MORE FAVORABLE BY RAISING INTEREST PAID (PRESUMABLY BY RURAL CREDIT COOPERATIVES AND PEOPLE'S BANK OFFICES) ON RURAL SAVINGS AND LOWERING INTEREST CHARGES ON LOANS TO FARMS. LI SAID THE GOVERNMENT IS CONSIDERING REVIVING THE AGRICULTURAL BANK. HE ALSO REITERATED PREVIOUS PLEDGES TO MAKE AVAILABLE LONG-TERM, LOW-INTEREST LOANS TO NEEDY COMMUNES.

6. LI PLEDGED CONTINUED ADJUSTMENTS IN THE TERMS OF TRADE TO THE BENEFIT OF AGRICULTURE. THE GOVERNMENT WILL IMPLEMENT ADJUSTMENTS AFTER STUDIES HAVE BEEN MADE AND CONCRETE PROPOSALS HAVE BEEN EXAMINED AND APPROVED. THE GOVERNMENT WILL ENDEAVOR TO RAISE THE QUALITY OF INDUSTRIAL PRODUCTS SOLD TO AGRICULTURE, PARTICULARLY AGRICULTURAL MACHINERY WHOSE QUALITY IS FREQUENTLY POOR. FACTORIES MUST OFFER THE "THREE GUARANTEES" (REF B) AND MUST COMPENSATE COMMUNES FOR SERIOUS LOSSES RESULTING FROM FAULTY MACHINERY. EXTRAPOLATING ON ANOTHER THEME OF THE THIRD CONFERENCE ON AGRICULTURAL MECHANIZATION (REF B), LI CALLED FOR COMMUNES AND BRIGADES TO OPERATE MORE INDUSTRIAL ENTERPRISES, PARTICULARLY IN RAW MATERIALS PRODUCING AND MINING AREAS. IN PRINCIPLE, COMMUNES AND BRIGADES SHOULD PROCESS THEIR OWN PRODUCTS, PARTICULARLY IN INITIAL STAGES. URBAN ENTERPRISES SHOULD ASSIST RURAL INDUSTRIALIZATION BY CONTRAACTING AS MUCH PRODUCTION AS POSSIBLE OUT TO COMMUNES AND BRIGADES. THE STATE WILL GRANT TAX REDUCTIONS OR EXEMPTIONS FOR COMMUNE AND BRIGADE ENTERPRISES AND PROCURE THEIR PRODUCTS AT PRICES EQUIVALENT TO THOSE OFFERED

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FOR PRODUCTS FROM URBAN FACTORIES. AT THE SAME TIME, RURAL INDUSTRIAL PRODUCTION AND CONSUMPTION WILL BE BROUGHT UNDER UNIFIED PLANS. LI PROMISED CONTINUATION OF THE SYSTEM OF ADJUSTING GRAIN PROCUREMENT QUOTAS ONLY ONCE EVERY FIVE YEARS. HE FURTHER STATED THAT IN ORDER TO ENCOURAGE COMMUNES TO SELL MORE ABOVE QUOTA GRAIN TO THE STATE, THE PRICE PAID FOR THIS GRAIN WILL BE INCREASED. MOREOVER, COMMUNE MEMBERS SHOULD BE ABLE TO RETAIN A CERTAIN PROPORTION OF SURPLUS PRODUCTION FOR PERSONAL CONSUMPTION.

7. IN OTHER PARTS OF HIS SPEECH LI, TOUCHED ON VARIOUS STATE PRIORITIES AND PLANS. LAST YEAR, HE SAID, THE GOVERNMENT PROPOSED THAT EACH PROVINCE SET UP ONE COMPLETELY MECHANIZED COUNTY WHICH WOULD SERVE AS A MODEL. THIS GOAL SHOULD BE ACHIEVED IN TWO TO THREE YEARS BY RELATIVELY INDUSTRIALIZED PROVINCES AND IN THREE TO FIVE YEARS BY LESS INDUSTRIALIZED PROVINCES. THE FIRST MINISTRY OF MACHINE BUILDING SHOULD ACT LIKE THE UNIFIER OF CHINA, CH'IN SHIH HUANG, AND UNIFY, STANDARDIZE AND STREAMLINE THE NATIONAL AGRICULTURAL MACHINERY INDUSTRY. THE COUNTRY SHOULD CONTINUE TO DEVELOP SMALL CHEMICAL FERTILIZER PLANTS. AT THE SAME TIME THE COUNTRY SHOULD BUILD MORE
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LARGE PLANTS SO BY 1985 EVERY PROVINCE HAS A LARGE PLANT. LI STRESSED THE IMPORTANCE OF PURSUING FORESTRY AND ANIMAL HUSBANDRY TOGETHER WITH AGRICULTURE. HE SAID THAT CHINA HAS 200 MILLION HECTARES OF USEABLE PASTURE LAND. THIS LAND CAN

AND SHOULD BE USED TO DEVELOP ANIMAL HUSBANDRY AND TO INCREASE ITS SHARE OF THE GROSS VALUE OF AGRICULTURAL OUTPUT ABOVE THE CURRENT 13.9 PERCENT.

8. WATER CONTROL WAS IDENTIFIED AS AMONG THE KEYS TO AGRICULTURAL GROWTH. FARMLAND CAPITAL CONSTRUCTION IN RECENT YEARS HAS INCREASED LAND UNDER IRRIGATION BY 1.3 MILLION HECTARES ANNUALLY. THE MAIN TARGETS FOR CURRENT CAPITAL CONSTRUCTION EFFORTS SHOULD BE UNCOMPLETED PROJECTS AND EXISTING FIELDS. WATER CONTROL EFFORTS DIRECTED AT THESE TARGETS COULD BRING ANOTHER 6.6 MILLION HECTARES LAND UNDER IRRIGATION. LOCALITIES SHOULD CONTINUE TO BUILD SMALL AND MEDIUM-SIZED WATER PROJECTS. IN THE FUTURE, THE STATE WILL CONTINUE TO UNDERTAKE LARGE AND MEDIUM-SIZED WATER CONTROL PROJECTS AFFECTING MAJOR RIVERS.

9. LI'S SPEECH WAS HEAVY WITH ADVICE FOR COMMUNE MANAGERS ON SUCH MATTERS AS MAKING REAL EFFORTS TO STUDY TACHAI AND OTHER ADVANCED MODELS AND PERMITTING PEASANTS TO FARM PRIVATE PLOTS AND TO OPERATE RURAL MARKETS. THE MOST IMPORTANT TWO MANAGEMENT TASKS WERE IDENTIFIED AS (A) IMPLEMENTING OF THE PRINCIPLE OF "FROM EACH ACCORDING TO ABILITY, TO EACH ACCORDING TO HIS WORK" (MEANING ESTABLISHING A REAL SYSTEM OF WORK INCENTIVES), AND (B) MAKING EVERY EFFORT TO REDUCE THE FINANCIAL BURDEN ON THE PEASANTS AND CHANGING THE PREVIOUS PATTERN OF "ALL UNITS HOLDING THEIR HANDS OUT TO THE PRODUCTION TEAMS, EVERY QUARTER UNDERMINING THE PRODUCTION TEAMS."

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10. COMMENT: LI SEEMS TO HAVE TAKEN THE OPPORTUNITY OF AN ANNUAL CONFERENCE ON CAPITAL CONSTRUCTION TO DELIVER A FAIRLY COMPREHENSIVE RESTATEMENT OF THE PRESENT LEADERSHIP'S AGRICULTURAL POLICY. AS WE HAVE SEEN BEFORE, THIS POLICY INVOLVES GREATER GOVERNMENT FINANCIAL SUPPORT FOR AGRICULTURE IN THE EFFORT TO PREVENT THIS SECTOR FROM SERIOUSLY CONSTRAINING GENERAL ECONOMIC GROWTH IN THE MEDIUM TO LONG-TERM. THE PREEMINENT CLAIM AGRICULTURE HAS ON THE COUNTRY'S RESOURCES IS MOST EVIDENT AT THE LOCAL LEVEL. THE CENTRAL GOVERNMENT IS APPARENTLY NOW ASKING LOCALITIES TO DO EVEN MORE FOR AGRICULTURE IN THE SHORT-TO-MEDIUM TERM. LI'S SPEECH REMINDS US THAT OPENING OF NEW LANDS, ALTHOUGH IMPORTANT, IS NOT THE MOST PROMISING APPROACH TO AGRICULTURAL GROWTH IN THE FORESEEABLE FUTURE. THE EMPHASIS MUST REMAIN ON RAISING UNIT YIELDS ON ALREADY CULTIVATED LAND. THE SUREST METHOD OF DOING THIS REMAINS INCREASING CHEMICAL FERTILIZER APPLICATIONS IN COMBINATION WITH IRRIGATION AND, SOMETIMES, USE OF HIGH-YIELDING SEEDS. THE PLAN TO HAVE AT LEAST ONE LARGE (PROBABLY IMPORTED) CHEMICAL FERTILIZER PLANT

IN EACH PROVINCE INDICATES THIS AS WELL AS THE REALITY OF PROVINCIAL POLITICS WHICH PLAYED SOME ROLE IN THE LOCATION OF THE THIRTEEN PLANTS IMPORTED IN 1973-5.

11. THE AGRICULTURAL BANK HAS APPEARED AND DISAPPEARED TWICE SINCE 1949. WHEN LAST ESTABLISHED IN 1963, THE BANK WAS DIRECTLY SUBORDINATE TO THE STATE COUNCIL AND HAD BRANCHES IN MANY PROVINCES AND IN SOME DISTRICTS AND COUNTIES. ITS RESPONSIBILITIES INCLUDED SUPERVISION OF STATE INVESTMENT GRANTS AND LOANS TO ENTERPRISES AND INSTITUTIONS IN THE AGRICULTURAL SECTOR. IT WAS ALSO CHARGED WITH GUIDING AND ASSISTING THE RURAL CREDIT COOPERATIVES. THESE FUNCTIONS WOULD PROBABLY ALSO BE DISCHARGED BY A NEW BANK.

12. LI'S SPEECH INDICATED THAT THE GOVERNMENT CONTINUES TO MOVE ONLY SLOWLY AND CAUTIOUSLY ON SUCH IMPORTANT LIMITED OFFICIAL USE

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QUESTIONS AS ADJUSTING THE TERMS OF TRADE FOR AGRICULTURE. MOVEMENT IN OTHER AREAS, LIKE ORGANIZATION OF THE AGRICULTURAL MACHINERY INDUSTRY, ALSO APPEARS TO BE SLOW. USLO PERSONNEL HAVE VISITED MANY AGRICULTURAL MACHINERY PLANTS RECENTLY AND HAVE FREQUENTLY BEEN TOLD THAT CHANGES IN PRODUCTION AND ORGANIZATION WILL OCCUR ONLY "BY 1980," OR EVEN BY "1985."

13. LI'S SPEECH WAS REMARKABLY FREE OF REFERENCES TO PREVIOUSLY ANNOUNCED TARGETS. THE 1.3 MILLION HECTARES FIGURE FOR NEW IRRIGATED ARA IS INEXPLICABLY BELOW THE 1.6 MILLION FIGURE ANNOUNCED LAST YEAR (REF C). IN GENERAL, LI SEEMED TO ESCHEW SETTING TARGETS (WHILE CRITICIZING SOME CADRES FOR FALSIFYING QUANTITATIVE REPORTS). QUALITATIVE AS WELL AS QUANTITATIVE ACHIEVEMENTS WERE EMPHASIZED. LI SAID THAT HEAD COUNTS OF PERSONS ENGAGED IN CAPITAL CONSTRUCTION WOULD BE DISCONTINUED. HENCEFORTH, THOSE PLACES THAT ACCOMPLISH TASKS WITH MINIMAL EXPENDITURES OF MANPOWER WILL BE PRAISED, WHILE PLACES THAT RELY SIMPLY ON INCREASING LABOR INPUT, WITHOUT CONSIDERING EFFICIENCY AND OPPORTUNITY COSTS, WILL BE CRITICIZED.

14. CADRE ARE NOW BEING ASKED TO STUDY NOT ONLY TACHAI, BUT ALSO COUNTIES IN SHANTUNG, HUNAN, KIANGSU WHICH ARE ADVANCED IN MECHANIZATION AND SCIENTIFIC FARMING. THE GOVERNMENT IS OBVIOUSLY MAKING A MAJOR EFFORT TO PROMOTE MORE SCIENTIFIC FARMING AND BETTER MANAGEMENT. THOMAS

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